

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 768 - SB 749**

February 21, 2021

**SUMMARY OF BILL:** Deletes the current fee schedule for the licensing of child care agencies. Authorizes the Department of Human Services (DHS) to set certain licensing fees by rule. Establishes that prior to January 1, 2022, licensure application fees as they exist for child care agencies on June 30, 2021 apply. Requires, beginning January 1, 2022, licensure fees apply only to applications for provisional licenses for child care agencies licensed in amounts established by DHS rule.

Changes temporary and extended licenses for child care agency to provisional licenses. Removes the provision for the issuance of a temporary license with a restriction when any of the criteria has not or cannot be met and instead requires denial of a provisional license in such circumstances.

Requires that if DHS fails to issue a license within 120 days of the granting of the provisional license, it will continue in effect, unless suspended, until a determination is made. Requires that if a license is denied following the issuance of a provisional license and if an appeal is made, the provisional license will continue in effect, unless suspended, until a determination is made.

Replaces DHS' mandatory child care agency report card system, and the separate and voluntary child care agency rated licensing system, with a single quality assessment and rating system, for the purpose of evaluating licensed and approved child care agencies. Requires DHS to provide additional financial performance incentives, as determined by the department, for child care agencies that accept the department's child care assistance subsidy payments.

Deletes provisions regarding an obsolete advisory council that was established in order to provide recommendations on the report card and rating licensing systems.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$188,000/FY21-22/Department of Human Services  
\$376,000/FY22-23 and Subsequent Years/  
Department of Human Services**

**Other Fiscal Impact – Funding for the new financial incentives may be available through the Department of Human Services (DHS) Child Care Development Fund grant. Due to insufficient information from DHS regarding plans for the new mandatory quality assessment and rating system, an exact fiscal impact cannot be reasonably quantified.**

Assumptions:

- Pursuant to Tenn. Code Ann. § 71-3-502(g)-(h), fees ranging from \$100 to \$600 apply for the licensing of child care agencies depending on the type of agency, how many children are in attendance and whether the license is annual, biennial, or triennial. These fees are earmarked to be used by DHS exclusively to improve child care quality in this state by funding activities that include child care provider training activities, but excluding any costs associated with conducting criminal background checks.
- The proposed legislation will result in a recurring decrease of state revenue.
- In FY19-20, the latest full fiscal year of fee collection, DHS collected a total of \$375,986 in licensing fees. This analysis assumes that figure will remain consistent in perpetuity.
- Per this legislation, prior to January 1, 2022, the licensure application fees as they existed for child care agencies on June 30, 2021, apply and that on or after January 1, 2022, licensure fees apply only to applications for provisional licenses for child care agencies licensed in amounts established by DHS rule. Therefore, FY21-22 will have a half-year impact.
- The decrease in state revenue is estimated to be \$187,993 ( $\$375,986 \times 50.0\%$ ) in FY21-22.
- The decrease in state revenue is estimated to be \$375,986 in FY22-23 and subsequent years.
- Based on information provided by the DHS, the revenue generated by the annual child care agency licensing fees is not significant relative to the amount of available resources and federal funding currently used for the broad spectrum of supports to improve child care quality and the related training offered by the Department. Therefore, the DHS will be able to maintain the high level of quality of training and supports without requiring additional funding to offset the loss of this specific revenue.
- DHS can implement the required changes to the licensing process and structure utilizing existing resources and personnel, without a significant increase in state expenditures.
- Pursuant to Tenn. Code Ann. § 71-3-502(j)(3)(D), a child care agency that agrees to voluntarily participate in the rated licensing system and accepts the DHS child care assistance subsidy payments is authorized to receive higher subsidy payments, as determined by DHS, based upon the child care quality rating and subject to available funding in the DHS budget.
- The proposed legislation authorizes DHS to offer other financial performance incentives, in addition to the currently offered higher subsidy payments, as determined by the department and based upon the results of the new quality assessment and rating system, for child care agencies that accept the department's child care assistance subsidy payments.
- The subsidy payments currently provided to child care agencies that exceed minimum licensing standards are funded through the DHS's Child Care Development Fund (CCDF) grant.
- Funding for the new financial incentives may be available through the CCDF.

- Any fiscal impact associated with the new quality assessment and rating system and new financial incentives is dependent upon the rules of the new program, as established by the DHS, as well as the increase in program participants due to the change in the program's nature from voluntary to mandatory.
- The DHS has not provided any specific information regarding plans for the new program; therefore, an exact fiscal impact cannot be reasonably quantified.
- Pursuant to Tenn. Code Ann. § 71-3-502(j)(4), the obsolete advisory council consisted of 12 non-legislative members who served without compensation.
- Deleting the provisions regarding the obsolete advisory council will have no significant fiscal impact to state government.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

/jg